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Second country cooperation framework for Indonesia (2001-2005)

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Introduction

1. The second country cooperation framework (CCF) for Indonesia (2001-2005) was prepared through a series of extensive consultations and discussions with key development partners in the country, i.e., the Government, civil society, the international community and the United Nations system. This was done to ensure that the CCF was truly consistent with the national priorities in the identified focus areas. Some of these consultations were also carried out back-to-back with the Country Review of the first CCF, which provided guidance on the formulation of the second CCF. These consultations included wide-ranging discussions with relevant key stakeholders, reviews of past and ongoing initiatives and broad-based consultation meetings.

I. Development situation from a sustainable human development perspective

A. Country situation: transformation towards democratic governance

Development goals and priorities

2. Indonesia is in the midst of a fundamental transformation: from an authoritarian regime into a constitutional democracy; from a situation where the law of the ruler prevailed into one where the rule of law prevails; and from a centralized and elitist administration into a decentralized and participatory one. The challenge of transforming basic values and functions of key political, economic and social institutions requires a strategic and integrated vision.

3. For nearly three decades prior to the economic crisis in 1997-1998, Indonesia made significant gains in per capita income, with growth in foreign and domestic investment, and a vibrant expansion of the manufacturing and service industries. The proportion of people living below the official poverty line decreased, from approximately 60 per cent in the mid-1960s to about 12 per cent by 1996. However, rules-based institutional and regulatory processes, essential for the healthy functioning of an internationally competitive and open economy, were not sufficiently developed. During 1997-1998, the economy contracted by more than 15 per cent in the first six months. Poverty rose from 12 per cent in 1996 to approximately 25 per cent in 1998. Social tensions erupted in several parts of the country.

4. In the 1999 general election, the people of Indonesia opted to lay firm foundations for democratic governance, in the hope of economic recovery and durable protection against vulnerability to poverty. Following from this, Indonesia's national priorities now include the realization of four basic development goals: (a) consolidation and legitimization of democratic governance; (b) placing the economy on a sustainable and equitable growth path, ensuring that the pace of poverty reduction is accelerated; (c) institutionalizing mechanisms to cope with social and ethnic conflicts; (d) institutionalizing mechanisms for environmental management in the context of decentralization of development responsibilities.

5. The basis for development cooperation in Indonesia is contained in the Guidelines of State Policy decreed by the People's Consultative Assembly, and the development plan enacted by the House of Representatives. These basic documents recognize that governance reforms are indispensable for economic recovery, poverty eradication, and social cohesion, and are mutually reinforcing. Taking its cue from national priorities, UNDP, in collaboration with the United Nations Country Team, completed the Common Country Assessment (CCA), which identifies four thematic areas: governance and institutional reform; sustainable and equitable recovery; social justice and poverty alleviation; and conflict prevention, reconciliation and response. These areas have already been incorporated into the CCF and will be further detailed in the United Nations Development Assistance Framework (UNDAF), serving as a reference point for the United Nations Country Team programme areas. The unifying themes under the CCA/UNDAF will also facilitate the synchronization of the programme cycles of the major United Nations agencies, i.e., UNDP, the United Nations Population Fund and the United Nations Children's Fund.

6. In the course of Indonesia's current transformation, the national development priorities identified above call for the concentration of UNDP regular resources in four areas, with the primary aim of strengthening the country's capacity for innovative policy-making and implementation. These four areas are: support to governance reforms; promoting pro-poor public policies; enhancing capacity for conflict-preventing development; and environmental management.

B. Current problems and challenges

7. Orderly change, legitimization of new institutions, conventions, and practices, and replacing dysfunctional institutions are among the key challenges Indonesia confronts. The CCF is designed to make a significant contribution to the country's effort to complete the current process of widespread and systemic transformation. It builds on the comparative advantage gained by UNDP as a trusted service-oriented external partner, and policy perspectives provided by other United Nations system organizations and programmes operational in Indonesia.

Governance reform

8. "Governance reform" is a shorthand reference to a large array of changes required in numerous institutions and practices, in order to realize the nation's development goals of consolidating democracy, sustainable growth with equity, and containment of conflicts. An important lesson of the economic crisis in Indonesia is that sustainable economic growth depends not only on good policies but also on sound institutions.

Poverty, community, and conflict

9. There is little doubt that a large number of people in Indonesia have been pushed down to subsistence levels. A central problem is to determine how different forms of reformed institutions and processes could contribute to reducing the vulnerability of people to social and economic distress. Furthermore, compounding traditional factors that have fostered conflicts over the years is a crisis of expectations, as the entitlements of the elite are dismantled before consensus is reached over the new dispensation of burdens and benefits. Conflict is thus an endemic feature of Indonesia's current transformation.

Environmental governance: protecting the future from present pressures

10. Each of the three sets of development concerns - governance, growth, and conflict - has an important bearing on the environment. Devolution of power to local authorities is part of the agenda of good governance. But these reforms also carry the risk of imprudent exploitation of environmental resources, which exacerbates conflicts caused by loss of control over these resources on the part of communities.

II. Results and lessons of past cooperation

11. The ability to rapidly adjust and adapt its programme to the requirements of the country has been the hallmark of UNDP in Indonesia. The first CCF adopted poverty eradication, both at the upstream and downstream levels, as its major theme as the government opted for directly targeted poverty eradication programmes. In response to the combined impact of the Asian economic crisis and the domestic social and political crisis, UNDP quickly reoriented the CCF to focus on economic recovery and governance reform. This shift not only allowed UNDP to respond to emerging needs, but it also provided the opportunity to further narrow the focus of the CCF. The findings of the Country Review also further strengthened this narrowing of the programme areas. As such, the major lesson from the first CCF is that, in the new reform environment in Indonesia, the comparative strength of UNDP lies in supporting upstream policy and strategy formulation, with a particular focus on poverty-governance reform linkages.

12. With its prompt assistance to the forest fires in 1997 and the two main initiatives of the first CCF, the Community Recovery Programme (CRP) and the Elections Support Programme, UNDP proved its ability be a trusted partner to both the Government and the international

community, thereby laying the foundation for the confidence of these partners in UNDP initiatives in the second CCF. Not only has UNDP been able to mobilize resources from the international community, but it has also been able to play a bridging role between the interests of the various parties in a mutually benefiting manner, and to create all-inclusive forums as interaction mechanisms. The Humanitarian Pause in Aceh provided the impetus and entry-point for UNDP activities in conflict prevention.

III. Objectives, programme areas and expected results

13. As highlighted in the following sections, the programmes of the second CCF attempt to provide a comprehensive and integrated response with regard to Indonesia's transformation process, with the overarching aim of poverty reduction. This will entail connecting strategic policy initiatives with practical interventions focused on decentralization, HIV/AIDS, gender equity, and realizing the potential of information and communication technologies to address poverty.

A. Governance reform

14. Deficiencies in existing institutions in Indonesia are well known. But it is not clear what should be the structure of transformed institutions, in order to provide good governance. The integration of multiple perspectives into institutional arrangements, based on practical judgment, will be the essence of good governance in Indonesia. The second CCF Governance Reform Programme is designed to enhance the capacity of diverse institutions, at the national and regional level, as well as that of civil society organizations at those levels, to make informed choices on the shape and structure of governance institutions.

Partnership to support governance reforms

15. UNDP took the lead in sponsoring the innovative Partnership for Governance Reforms in Indonesia, together with the World Bank and the Asian Development Bank. Indonesian ownership and leadership in the Partnership have been secured by including in the Governing Board an array of Indonesians. The Partnership consists of two pillars: the first being the Facility for Policy Dialogue and Analysis, which provides an avenue for achieving consensus on specific sets of governance reforms; and the second being the Indonesia Governance Fund, which provides a vehicle for coordinated donor support to pilot projects to demonstrate the efficacy of new ideas. In addition, the Partnership is a mechanism to coordinate international assistance and includes the international community and other United Nations agencies.

16. Presently, the Partnership's programme focuses on the following areas: law and the judiciary, civil services, parliamentary institutions at national and local levels, civil society organizations and media, corporate governance, and more recently, security reform. Additionally, decentralization and anti-corruption initiatives are regarded as critical components of governance reform, cutting across other thematic concerns.

Initiatives related to governance reform

17. The CCF will have a programme to strengthen the capacity of the People's Consultative Assembly of Indonesia to engage in the historic role of fashioning the Constitution.

18. Working through the Partnership for Governance, UNDP will support the elected House of Representatives' efforts to better perform its basic duties of legislation, oversight over executive action, and scrutiny of the national budget to accord with the aspirations and interests of people.

19. Building on its role in the 1999 elections, UNDP will help in electoral reforms through extensive public education on the implications of alternative systems of elections; enhanced capacity to make deliberated choices regarding electoral systems best suited to Indonesia; and capacity building for the new Election Commission.

20. In strengthening civil society and media organizations in Indonesia, the focus will be on enhancement of capacity to advocate and monitor progress of reform in public institutions, and on reforms *within* civil society organizations (CSOs) and the media. UNDP expects to build upon the work of the CRP to bring about a paradigm shift in the state and civil society relationship in a democratic Indonesia.

21. The World Bank is the designated lead agency in the area of legal and judicial reforms. However, UNDP initiated programmes to support the National Law Commission and the National Ombudsman Commission prior to that decision. In addition, UNDP will also aim to support the advancement of the international rule of law in Indonesia's domestic context.

22. UNDP has initiated a process of dialogue with representatives of Indonesia's diverse corporate sector, with the aim of creating a compact that will commit the private sector to supporting the country's reform agenda.

Regional autonomy and democratic decentralization

23. It should be noted that regional autonomy is of crosscutting concern in transforming the way Indonesian society is shaped. The first tasks at hand are the devolution of central Government's roles and responsibilities to the local level, including budgetary and fiscal responsibilities. Ensuring that institutional reforms are sustainable requires a strong analytical appreciation of the underlying regional social and economic trends, which UNDP will provide through its policy arm.

24. In close association with the Partnership, and in cooperation with national and local government institutions, UNDP aims to support an integrated sustainable programme for strengthening governance reform at the local level. The programme will be demand-driven, focusing on initiatives at the local level, strengthening service delivery and regional planning institutions, and ensuring dissemination of lessons learned. As such, UNDP will both *pioneer* and support programmes related to decentralization, in order to allow for an integrated approach.

25. UNDP support in the context of governance would entail not only institutional reforms but also changes, informed by positive experience gained within Indonesia and elsewhere, in the processes of the formulation and substance of public policies so that the pro-poor focus remains at the forefront.

B. Pro-poor policy reforms

26. This CCF programme will continue support to CSOs for innovate approaches that supplement social safety net objectives, and can influence the quality of delivery of services delivered by public systems, the private sector, and non-profit institutions reaching out to the population. It will build on the ongoing CRP, which has a very large outreach into the community throughout different parts of the country. In addition, UNDP will support dissemination of policy lessons from on-the-ground engagement with communities at the cutting edge of development.

27. While all CCF programmes incorporate policy feedback as part of their routine operation, UNDP will complement such activities with a renewed focus on upstream policy support that will ensure both an integration of the CCF programmes within an overall development vision as well as highlight key cross-sectoral linkages. Recognizing the need for analytical capacity-building for making informed choices, UNDP, through its policy arm, will develop the knowledge base and skills needed to provide support to the Government and institutions responsible for different sets of policies. Upstream policy support will therefore become an integrated objective, building capacity in the Government and informing policy options and choices, which will greatly enhance capacity for strategy formulation.

28. The policy arm of UNDP will pay due attention both to the technical excellence of policy analysis, as well as to the process through which policy choices are debated in public fora. It will provide support for a clear articulation of a long-term, integrated development vision and the

fostering of a new development consensus through public dialogue.

29. As part of these efforts, UNDP is currently providing support to the recently established Coordinating Agency for Poverty Reduction, by ensuring that poverty reduction is linked to a broader macroeconomic framework and is an integral element of national social policy. This objective will entail an independent review of the impact on the poor of a wide array of public policies, which will involve the broad participation of key stakeholders. Sensitizing the policy-making apparatus at all levels of government to the concerns of the poor will be a key role of the new agency. In this context, the national human development report will serve as one of the primary instruments to further advocate and promote pro-poor policies, both at the national and regional levels.

30. Globalization entails accountability to the international community for policy makers' fulfilment of commitments and obligations affirmed in international conferences. Through its Policy Support Programmed, UNDP anticipates assisting the Government in putting in place policies that will enable Indonesia to meet such international challenges, such as the ASEAN [Association of South-east Asian Nations] Free Trade Area, while at the same time, ensuring that national policies focus on safeguarding the interests of the poor. UNDP is well equipped to help Indonesia focus on outcomes that combine both national interests with international obligations.

31. Globalization also provides a renewed rationale for technical cooperation among developing countries (TCDC). TCDC has hitherto focused on the transfer of technical know-how, but its potential contribution in a context where the national economy is increasingly integrated into the global economy has not been fully realized. Information communication technology will enable Indonesia to "leap-frog" into adopting "e-governance" and "e-commerce", through mutually beneficial programmes with other countries in Asia. In addition, efforts will be emphasized to help in reducing the poverty and economic disparity levels in the country by empowering people through access to information. As part of this, UNDP will facilitate the sharing of best practices in poverty eradication.

32. Given the impact that the epidemic of HIV/AIDS can have at both the national and community levels, UNDP will support prevention and advocacy efforts to sensitize policy makers on the economic costs of the epidemic and its social dimensions related to vulnerability to poverty, through capacity-building of governmental and non-governmental entities.

C. Conflict prevention

33. Communities in conflict are often at the cutting edge of development. Conventional approaches have tended to regard conflicts, not as an endemic part of processes of change, but as exceptional events warranting emergency-type responses. Consequently, as noted above, there are gaps between relief and rehabilitation efforts, on the one hand, and development programmes, on the other hand. Integration of crisis responses and post-crisis development programmes is likely to foster a "culture of prevention", overcoming the risk of recurrence. In the area of disaster prevention and management, UNDP will provide support to the government mechanism to strengthen efforts in this area. It will also seek to forge a link between disaster management, development and humanitarian assistance with other partners, including the United Nations system.

34. Programmes for good governance, poverty reduction, equitable economic growth, and prudent environmental management are therefore essential for containment and prevention of conflicts. The chief characteristic of the communities and conflict programme theme is thus the centrality of its connection and complementarities with other CCF programmes. Specific outputs include broad and flexible frameworks for area development, dispute resolution mechanisms at the community level, and improved relations between CSOs and local government authorities, leading to better local level planning.

35. Regarding recovery from conflicts, operational programmes will be implemented to support social and economic recovery from conflict. These programmes will require high levels of consultation with people that have been involved in or affected by conflict to assure

that they meet with their consent and priorities. While implementation methods will need to be carefully tailored to address the special circumstances surrounding each recovery initiative, in most cases, an integrated, area-based development approach will be employed. This will be complemented by significant community-level participation and consultation and capacity-building for local priority-setting and decision-making. In terms of implementing partners, NGOs, such as through the CRP, local government or private contractors may be utilized. In addition, UNDP will collaborate on conflict prevention efforts with the United Nations system, as it has done in the past, through the United Nations Resource Centres.

36. In the development of conflict prevention in post-conflict areas, gender issues become a governance issue, exemplifying the interlinkages among the programme areas of the second CCF. When rebuilding societies, there are opportunities to involve women in the governance structures of the community, such as village councils, access to information and resources, and the development of women's organizations.

D. Linking relief to development

37. Another part of the programme cluster would be integration of policy and programming perspectives at the national and local levels, based on better understanding of international experience with coping with crisis and conflicts. UNDP will take the leadership role in spearheading knowledge-based resources needed for conflict-sensitive policies. The outcome of initiatives in this respect will be greater sensitivity in policies to factors of risk and vulnerability of particular groups of people, which, in turn, could lead to fairness and justice in treatment.

E. Environmental protection and management

38. Threats to the environment in Indonesia, one of the world's greatest natural reserves, not only compromise the prospects for sustainable development for future generations of Indonesians, but also imperil the public good purposes the environment serves globally, contributing to rainfall and absorption of "green-house" gases.

39. The CCF programme, proceeding on those premises, has two objectives: (a) institutionalizing environmental governance (complementary to general governance reforms) for the equitable and sustainable use of natural resources and the environment, and (b) renewal and restoration of international faith in Indonesia's stewardship capacity through adherence to conventions and protocols, and continued assistance from the Global Environment Facility.

40. One anticipated result of the programme is the establishment of a Consortium for Decentralized Environmental and Natural Resource Management. Building on the lessons learned from the Partnership for Governance Reform, the Consortium will apply a similar approach and comprise individuals from national entities and the donor community. The overall objectives of the Consortium are aligned with the mandates of a soon to be established National Council for Sustainable Development, which will support improved policy formulation and programme coordination among ministries and agencies for sustainable development in Indonesia. The Consortium will be dedicated to developing new policy frameworks, regional capacity-building for environmental management, and supporting environmental reforms through such fora as a National Sustainable Development Report and Rio+10.

IV. Management arrangements

A. Management of the country cooperation framework

41. In implementing the CCF, UNDP will incorporate broad-based participation by major stakeholder groups from civil society, the private sector and government, and advocate and utilize results-based management strategies in cooperative programming efforts. In terms of project identification, criteria for selection will include: a strong sense of national ownership and commitment in design and implementation, a strong component of partnership-building as a means of promoting networks, a clear comparative advantage attributed to UNDP cooperation,

and a long-term impact beyond the immediate beneficiaries.

42. While national execution will be the main execution modality, UNDP may be called on to provide direct support, in close conjunction with the Government, in particular parts of the country, given the special situation in Indonesia. This has strengthened the capacity of the country office to take on considerable additional responsibility for support to high-profile programmes under national execution, but with extensive administrative, financial and substantive support from UNDP. Furthermore, UNDP has pioneered the use of non-governmental organization execution execution, as in the case of the ongoing CRP, and administers a considerable national execution portfolio, and a growing direct execution portfolio. UNDP also recognizes the value of "process consultancy" in promoting its advisory services, and will enhance in-house capacity in this area. UNDP will also strengthen its and the Government's capacity to manage national execution and direct execution.

B. Linkages with inter-country programmes

43. Linkages between UNDP country programmes and UNDP-ASEAN Regional Cooperation Programmes will be increasingly explored, given the mutual areas of work of the organizations, such as democratic governance, environmental sustainability and global economic policy. The exchange of experiences and good practices will be invaluable to the nature of Indonesia's development during the CCF period. UNDP will continue to support linkages between the national recovery and reform agenda and the continuing evolution of the external environment.

C. Monitoring, review and evaluation

44. During all CCF annual reviews, mid-term country reviews, and project evaluations, UNDP will rely on consultations with key national stakeholders and beneficiaries to continually reassess and improve processes. A country review will be scheduled at the mid-term of the CCF, to assess performance and reorient programme and management activities and arrangement as necessary. Lessons learned from the CCF review will be channeled to the formulation and revision of projects. CCF reviews will be based on the UNDP strategic results framework and its results-oriented annual report, which will serve as benchmarks for monitoring progress.

D. Resource mobilization strategy and targets

45. UNDP will increasingly use regular funding as "seed money" for needs identification, formulation and start-up for projects not amenable to immediate cost-sharing. Expressed as a ratio, the UNDP resource mobilization target for Indonesia is 5:1 (five dollars of cost-sharing for each dollar of target for resource assignment from the core funds committed). It is expected that the use of resources in such a manner will not only increase the impact of UNDP in the country, but will also ensure the development of consensus and substantive partnerships among key development players.

Annex

Resource mobilization target table for Indonesia (2001-2005)

Source	*Amount (In thousands of United States dollars)*	*Comments*
UNDP regular resources		
Estimated carry-over	14 772	Includes carry-over of TRAC 1, TRAC 2 and earlier AOS allocations.
TRAC 1.1.1	9 191	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
SPPD/STS	1 111	
Subtotal	**25 074**[a]	
UNDP other resources		
Government cost-sharing	0	
Third-party cost-sharing	12 000	Includes resources from donors and Government.
Funds, trust funds and other	117 000	
Of which:		
Governance	50 000	
CRP	30 000	
Conflict prevention	15 000	
GEF	15 000	
Montreal Protocol	7 000	
Subtotal	**129 000**	
Grand total	**154 074**[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: AOS = administrative and operational services; CRP = Community Recovery Programme; GEF = Global Environment Facility; SPPD = support for policy and programme development; STS = support for technical services; and TRAC = target for resource assignment from the core.